

Financial Inclusion through Karad Urban Co-Operative Bank, Karad

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ABSTRACT

The Karad Urban Co-operative Bank Ltd., Karad is now a prominent name in Urban Banking Sector. This Bank was established first as a Co-operative Urban Credit Society in the year 1917. The Bank has made tremendous progress in all these districts and considering the financial inclusion, has amended its bye-laws to cover other districts of Maharashtra. The numbers of members of KUC Bank were increased from 43746 to 75206 during 2010-2011 to 2019-2020. The Average Annual Growth Rate of members was 71.92% with proportionate growth in socially backward classes. The Compound Growth Rate was 6%. The AGR and CGR of branches were increased by 28% and 2% respectively during same period. The CGR and Coefficient of variation of the numbers of Staff in the Bank was 3% and 12.97 respectively during the study period. In 2010-11, the share capital of the Bank was Rs. 3286.8 lakhs. It increased by 9820.9 lakhs at the end of March 2020. The S.D., C.V., and CGR of share capital were 2421.50, 33.30 and 12% respectively during the same years. In 2010-11 the loans and advances of Rs.76505.04 lakh was provided by the Bank. It increased 129.00 % and reached at Rs. 175197.15 lakhs in the 2019-20. In order to ensure timely and efficient loan disbursement, similarly with an intention to adopt legitimate professional approach for financial inclusion. The capital Adequacy Ratio of the Bank was higher than the norms of RBI and CD ratio was about 63.61 % in the study period. Bank has succeeded in strengthening the capital base and ultimately achieved the CRAR 16.58% well above the benchmark (9%) in the year 2019-20. Out of 62 branches 23 branches have 0% NPA in year 2019-20 and total NPA is 7.65% in 2019-20. Bank provides deposit Insurance upto 5 lakhs since Feb, 2020. It provides loans to priority sectors like MSME, agro-based sectors, women-entrepreneurs, small traders etc. at low rate of interest and under "PM Avas Yojana" 136 proposals have been sanctioned and 1.94 crores are deposited in the accounts of beneficiary.

KEYWORDS: CRAR, Financial inclusion, MSME, NPA

INTRODUCTION

The Karad Urban Co-operative Bank Ltd., Karad is now a prominent name in Urban Banking Sector. This Bank was established first as a Co-operative Urban Credit Society in the year 1917 and was subsequently converted into a Bank. The promoters of this Bank who were from different walks of life, working in various fields but having future out-look recognizing the need, established this Bank way back, 103 years ago. The late Dr. D.S. Erram who had vision and who along with dedicated co-operation from Shri. Subhashrao Joshi and other Board Members were able to achieve all round progress. Till 1993 the Bank had only 8 branches spread over Satara District only. Since then it has expanded its wings in other prominent Districts of Maharashtra viz. Sangli, Kolhapur, Solapur, Ratnagiri, Pune and Mumbai. The bank has made tremendous progress in all these districts and considering the need and demand, has amended its bye-laws to cover other districts of Maharashtra viz. Raigad, Ahamadnagar and also planning to go Multi-State by opening branches in Ahmedabad and Belgaum in Gujarat and Karnataka state respectively.

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Objectives of the Study

1. To evaluate the financial inclusion regarding Membership, Branches, Staff, deposits and Funds received of Karad Urban Co-operative Bank.
2. To study the Total Loan advances proportion of Priority Sector, Working Capital and Investment Pattern for financial inclusion.
3. To study the over dues, Doubtful and loss advances, Bad and Doubtful Debts reserve of the Karad Urban Co-op. Bank.
4. To evaluate the norms and conditions of RBI fulfilled for financial inclusion by the Bank.

Methodology and Data Processing

The present study is related to evaluation of financial inclusion of Karad Urban Co-operative Bank since last 10 years. The KUC Bank is first tehsil level bank which merged the other co-operative bank successfully. The collected secondary data was processed with help of computer by using Standard Deviation, Co-efficient of Variance, Annual Growth Rate and Compound Growth Rate etc.

Limitations of the Study

1. The present study is limited to Karad Urban Co-operative Bank only.
2. The present study is based on the secondary data for the period from 2011-12 to 2019-20.

Financial Inclusion of Karad Urban Co-operative Bank

Due to professional management, dynamic leadership the Bank made the tremendous progress in last a decade. It was conferred with the "Scheduled Status" as mark of its financial health and confidence of the public. The Shri Parshwanath Co-op. Bank was merged in the Bank in Dec. 2007 with its 10 branches. Thus Bank's network is increased to 48 branches; also staff strength is increased by 124. This opportunity has given the Bank rare distinction of being the first bank at tehsil level to effect merging of other bank. It is this important event that deserves a very special mention in the history of the Bank. During the study period of 10 years from 2010-2020 total number of branches reached to 64 and staff 822 in 7 major district of Satara, Sangli, Kolhapur, Pune Ratnagiri, Raigad and Mumbai etc.

Table no.1

Particulars	Members	Branches+HO+ Extension Counter	Staff	Share Capital	Reserves & other funds	Owened funds	Deposits
2010-11	43746	50	588	3286.8	5127.47	8414.27	116326.92
2011-12	48909	50	589	3962.89	5980.37	9943.25	140734.13
2012-13	53176	50	694	4729.69	7290.56	7290.56	166697.86
2013-14	58237	50	699	5592.06	9743.84	9743.84	197020.57
2014-15	64154	50	704	6580.12	11255.06	11255.9	230435.17
2015-16	66673	50	697	7682.52	12708.24	20390.76	255347.66
2016-17	68233	50	689	8469.28	14952.24	23421.51	285047.78
2017-18	73903	64	874	9204.42	27261.85	36466.27	286079.3
2018-19	74622	64	845	9666.03	23516.64	33186.67	275359.55
2019-20	75206	64	822	9820.9	21324.96	31145.86	275405.17
SD(Population)	10642.48	6.42	93.38	2297.24	7323.29	10733.22	60340.57
Average	62685.90	54.20	720.10	6899.47	13916.12	19125.89	222845.41
CV	16.98	11.84	12.97	33.30	52.62	56.12	27.08
AGR	71.92	28.00	39.80	198.80	315.90	270.16	136.75
CGR	0.06	0.02	0.03	0.12	0.15	0.14	0.09
SD(Sample)	11218.16	6.76	98.43	2421.50	7719.42	11313.81	63604.55

Source - Annual reports of the bank.

The Table 1 explains that, the numbers of members of KUC Bank were increased from 43746 to 75206 during 2010-2011 to 2019-2020. The Annual Growth Rate of members was 71.92% and Compound Growth Rate was 6%, it indicates that the number of members increased 71.92% during last 10 years but the relative % of increased (CGR) member was 6%. The AGR and CGR of branches were increased by 28% and 2% respectively during same period. Total staff of the Bank was 588 in 2010-2011, in annually increased by 39.80% and reached at 822 at the end of March 2020. The bank has been given the priority to social diversified staff for financial inclusion. The CGR and Coefficient of variation of the numbers of Staff in the Bank was 3% and 12.97 respectively during the study period. In 2010-11, the share capital of the Bank was Rs. 3286.8 lakhs. It increased by 9820.9 lakhs at the end of March 2020. The S.D., C.V and CGR of share capital were 2297.24, 33.30 and 12% respectively during the same years. Table further shows that the share capital of the Bank was increased tremendously after celebrating 100 years of bank.

Reserve and other funds of the Bank were increased by 15% during the last 10 years and reached at Rs.21324.96 lakhs at the end of March 2020. The Own funds was also increased from Rs.8414.27 lakhs to Rs. 31145.86 lakhs, the CGR was 14% during the 2010-11 to 2019-2020. The deposits were increased from Rs. 116326.92 lakhs to 275405.17 lakhs. i.e CV 27.08 and CGR by 9%.

Table no. 2

Particulars	Loans and advances	Priority sector advances	Investment	Working Capital	Net Profit before Tax	Overdues	Doubtful debts	Bad & doubtful debts reserve
2010-11	76505.04	46718.02	30165.47	131420.59	1029.72	2302	73.08	2108.61
2011-12	92602.3	50721.83	37117.67	156129.32	1716.74	3132.5	172.1	2311.67
2012-13	107342.27	51375.38	49001.93	188289.03	2061.56	3693.3	165.72	2615.67
2013-14	122873.17	61419.78	63803.04	220099.15	947.37	3898.01	249.91	3099.36
2014-15	144098.77	66838.14	72266.18	257101.49	1802.62	4617.18	244.78	4251.8
2015-16	163950.97	69346.93	77709.84	286689.84	2031.81	6589.86	8585.93	5307.79
2016-17	174556.67	65089.12	98465.27	328438.96	4403.58	7995.12	11647.46	6674.3
2017-18	182835.49	68668	121613.83	344661.05	-2954.5	13660.75	17489.33	13757.05
2018-19	180708.99	76052	115869.7	340851.47	3316.45	17174.32	17248.39	12928.99
2019-20	175197.15	74474.76	102552.03	331594.23	3138.12	14915.56	17486.16	11962.92

SD(Population)	37564.39	9731.22	30626.37	76334.44	1868.10	5182.61	7619.09	4402.56
Average	142067.08	63070.40	76856.50	258527.51	1749.35	7797.86	7336.29	6501.82
CV	26.44	15.43	39.85	29.53	106.79	66.46	103.85	67.71
AGR	129.00	59.41	239.96	152.32	204.75	547.94	23827.42	467.34
CGR	0.09	0.05	0.13	0.10	0.12	0.21	0.73	0.19
SD(Sample)	39596.34	10257.60	32283.03	80463.57	1969.15	5462.95	8031.22	4640.70

Source- Annual Reports of the Banks

Table 2 explains that, the loans and advances provided to the various sections of the society, it indicates financial inclusion by the Bank. In 2010-11 the loans and advances of Rs.76505.04 lakhs was provided by the Bank. It increased with AGR 129 % and reached at Rs. 755197.15 lakhs in the 2019-20. In order to ensure timely and efficient loan disbursement, similarly with an intention to adopt legitimate professional approach, Loan sanctioning powers were delegated to officers at various levels. The Board has appraised the said working and was liberal to enhance the delegation powers. Since the policy was found to be effective and useful, it is decided that the same will be continued. The amount of loans and advances granted to priority sectors was also increased from Rs.46718.02 lakhs to Rs.74774.76 lakhs during the last 10 years. Its proportion to total loan granted was more than 42% in the same period it express the high financial inclusion for weaker section of the society. Bank had invested sizeable amount and NDS, the advanced system was introduced from August 22, 2007 to foster the trading transactions and make treasury operations more efficient. The Bank's investment in various items was increased from Rs. 30165.41lacks and reached at Rs.102552.03 lakhs at the end of the March 2020. After making all the statutory and income tax provisions the Net profit of Karad Urban Co-op. Banks was increased from Rs.1029.72 lakhs to Rs.3138.12 lakhs during 2010-11 to 2019-20, and CGR was recorded of 12 %. On the other hand the Overdues, Doubtful and loss advances and Bad and doubtful debts reserves were also increased by 21%, 73% and 19% respectively during study period. The financial inclusion of acquired bank in span of 10 years was much better and impressive to contribute the profit of Rs.3831.18 lakhs at the end of March 2020. There was loss to bank only in financial year 2017-18 of 2954.5 lakhs which was filled-up by upcoming years.

Table no. 3

Particulars	Audit class	Dividend	Growth rate of deposits	Growth rate of Advances	% of priority sector advances	% of over dues
2010-11	A	9	9.12	15.7	61.92	3.01
2011-12	A	10	20.98	21.04	54.75	3.38
2012-13	A	10	18.45	15.92	47.86	3.44
2013-14	A	8	18.19	14.47	49.99	3.17
2014-15	A	10	16.96	17.27	46.38	3.2
2015-16	A	7	10.81	13.75	42.31	4.02
2016-17	A	12	11.63	6.49	39.71	4.58
2017-18	B	0	0.36	4.74	39.34	7.47
2018-19	A	0	-3.75	-1.16	41.60	9.5
2019-20	A	0	-0.02	-3.05	41.21	8.51
SD(Population)		4.50	8.33	7.80	22	2.35
Average		6.60	10.27	10.52	46.50	5.03
CV		68.16	81.05	74.17	22.6	46.82
AGR		-100.00	-100.22	-119.43	-2.73	182.72
CGR		-1.00	#NUM!	#NUM!	-0.52	0.11
SD(Sample)		4.74	8.78	8.22	27	2.48

Source- Annual Reports of the Bank

Table 3 elaborates that the Audit class obtained and distribution of dividend of the Karad Urban Co-op. Bank during last 10 years. Thirty branches having business above Rs. 10 crores were covered under monthly audit by Concurrent Auditors and 9 branches having business above Rs. 25 crores were subject to weekly audit. Remaining 9 branches were covered under Bank's internal Audit and Inspection department. The Bank has been obtained "A" audit class and provided dividend of 7 % to 12% to members during study period exceptionally for year 2017-18 to 2019-20. therefore the CGR is negative (-1%). The growth rate of advances and deposits ranges between -3.75% to 20.98% and -1.16% to 21.04 % respectively. Its average was 10.27% and 10.52 % during the 2010-11 to 2019-20. The S.D. and C.V. of growth rate of advances provided and deposits accepted by the Karad Urban Co-op. Bank were 7.80 and 74.17 and, 8.33, 81.05 respectively during same period. Out of total advances, the Bank provided about 39.34 % to 61.92%. advances to the priority sectors during study period.

Table no. 4

Item	2015-16	2016-17	2017-18	2018-19	2019-20
Total Income (Rs)	29741.96	34137.10	33637.40	34266.70	33213.15
Total Expenditure (Rs)	26439.19	28094.67	28933.30	32124.95	31130.05
Gross Profit (Rs)	3303.10	6042.43	4704.35	4555.10	4838.00
Net Profit (Rs)	1179.81	2753.58	-3119.50	2141.75	2083.09
Gross NPA%	6.79%	8.48%	10.17%	13.15%	13.77%
#Net NPA %	3.67%	4.85	4.30%	7.19%	8.5%
#CD Ratio%	64.19%	63.40%	63.19%	65.63%	63.61%
# CRAR%	11.22%	16.86%	12.87%	15.62%	16.58%

Source- Annual reports of bank

Table 4 analyses that, the total income includes interest received and other income of Karad Urban Co-operative Bank was Rs. 29741.96 lakhs in 2015-16. It increased threefold and reached at Rs. 33213.15 lakhs in the year 2019-20. But the total expenditure includes interest on deposits and borrowing, Staff salaries and allowances and establishment expenses etc was increased about fourfold during the same period. The Gross profit and Net profit were increased from Rs.2.73 crores and Rs. 0.36 crores to Rs. 12.4crores and Rs. 5.34 crores respectively during 2015-16 to 2019-20. The Bank deserves its Strong Status through compliance and achievements of prudential norms (exceptionally there is loss in 2017-18, which was recovered through profits of upcoming two years. The gross NPA of the bank was 6.79 % and Net NPA was 3.67% in the year 2015-16. There was also significant achievement in reducing the cost of acquisition. The capital Adequacy Ratio of the Bank was higher than the norms of RBI highest in year 2016-17 i.e 16.86% and CD ratio was about 63 % in the study period. Bank has succeeded in strengthening the capital base and ultimately achieved the CRAR 16.58% well above the benchmark in the year 2019-20.

Computerization

In keeping with the technology developments in banking sector, the bank had computerized all the branches providing quick and delightful service to its valued customers. It is very much gainful to weaker section of the society. Computerization was initiated in 1989, in phases the bank did all the branches computerized. The Bank provide small collection and receipt print device to its Pigmy Agents, so agents can collect small deposit from customer/borrowers door step. It is significant contribution of the bank to financial inclusion of the society. The Bank has vision for centralized data storage for Any Where Any Time Banking through Core Banking Solutions. Many factors actively contributed to the success of modernizing stages like due diligence report, immediate approval from regulators, software change, data migration implemented by Banks I.T. team etc. In addition to the business growth, one indirect benefit, gained out of merging process, lies in the fact that, now the Bank would be in a position to relocate the existing branches of merged banks, This achievement is the outcome of dedicated hard work of top management; proper planning, skilful execution, and loyalty of customers and of course the blessings and support of shareholders. The best achievement and memorable event in the financial inclusion of the Bank that The bank was awarded with, "Padmbhushan Vasantdada Patil Award 2006-07" for Best Urban Co-op. Bank in Western Maharashtra by The Maharashtra State Co-op. Bank Association, Mumbai. Again in 2019 The Best CEO Award "Late Baburaoji Deshmukh" was honoured to CA Dilip Mahadev Gurav a CEO of the bank. 43 ATMs are established at different cities of the bank. The bank has celebrated its 100 years in 2016-17 with great enthusiasm.

To develop financial discipline amongst borrowers and thereby allowing rebate in interest rate, a Credit Rating System was introduced since many years. The concept was emphasized on high scale and Customer Meets were organized at Karad, Kolhapur, Sangli and Pune. The Bank received good response and inputs to fine tune its policies and practices, ultimately it helps to retain the best clients and improve the asset quality.

Management of the Bank for Financial Inclusion

With a view to encourage the talent of top management and have interaction with regulators, the Bank has arranged a training program targeted at board members, executives and managers at Head Office time to time. The activities of Staff Training & Research Centre. RBI has selected the Bank as Nodal Bank for Satara district, considering the infrastructural facilities of the Bank. Innovative concept of Insurance Business Partner was the main theme of last three -tie up with New India Assurance, United India Insurance and Bajaj Alliance General Insurance A conference exclusively for Co-Op. Banks, Credit Societies and other high

value customers was arranged to address various business related issues, customer needs and expectations. Nearly 118 representatives participated in the conference and Banks officers had a fruitful interaction with them. Since the group business is mantra of rapid growth, the theme Business Partner was well appreciated and conference achieved good success in terms of sustaining healthy competition and to be customer centric.

It is very important to maintain the profitability in highly competitive spread and thinned business margin. For other income various avenues were worked out and bank has made tie-up arrangement with Max New York Life Insurance since 2008 and extended with other three companies.

Social Activities -

Many social activities are organised by bank every year like-Swachata Abhiyan, Health talk of Dr. Dixit, Half Marathon, Entrepreneurship Development Shibir, Rangoli Competition, Suryanamaskar Spardha at Karad City Etc. In mid of 2020 pandemic covid was strucked to all over world. During this year COVID19 Regulatory Package was declared for banks for- Income Recognition, Asset Classification (IRAC) and Provisioning etc. The quantitative disclosures as required by the above referred RBI circular dated April 17, 2020 are given below: In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank would be granting a moratorium of three months on the payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as Standard, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset Disclosure with respect to 'The Depositor Education and Awareness Fund Scheme, 2014' (DEAF) as per RBI Circular dated 27/05/2014.

Conclusions

Due to professional management, dynamic leadership the Karad Urban Co-op. Bank made the financial inclusion in last a decade. It was conferred with the "Scheduled Status" as mark of its financial health and confidence of the public. The CGR of share capital, Reserve Fund Own Fund was higher than the Deposits of the Bank. The CGR of number of Branches and employment generation was less as compared to Membership and Business turnover of the Bank during 2010-11 to 2019-20. The Gross profit and Net profit were increased from Rs.1029.72 crores and Rs.3138.12 crores respectively during 2010- 11to 2019-20

References-

- [1] *Annual Reports of the Banks
- [2] * website of the bank